

27. Rate Determination for Rehabilitative Services (continued).

(b) The pro forma rates were developed based on salary data obtained from the Texas Medical Association and the 1994 National Survey of Hospital and Medical School Salaries. This data was used to calculate an hourly cost, based on an estimated number of work hours, adjusted to allow for vacation and sick days (1800 hours per year to allow for vacation/sick leave; five hours per day of direct service; 1125 hours per year were used to calculate hourly salaries). Salaries were based on median salary rates and adjusted as appropriate for Texas-specific salaries. Professionals were costed out at the south central USA RN median salary rate. Paraprofessionals were costed out at the south central USA LVN median salary rate. The basic information from the data was adjusted by adding 25% to reflect Texas-specific salaries. The Implicit Price Deflator for Personal Consumption Expenditures (IPD-PCE) was used to inflate the 1994 salaries to the initial rate period. Assumptions were formulated to determine the most appropriate average size of small group (average four people per group) and day program services (average twelve people per group). The requirement of supervision constitutes 15% of a professional's time. Additionally, 30% was used as an estimate for fringe benefits and non-personnel operating expenses. After these assumptions were completed, the rates were calculated by determining staff hours based on the services offered and the specific staffing requirements.

(c) During the initial reimbursement period, the operating agency will collect cost data.

(d) Utilizing data collected during the initial period, the operating agency will calculate rates using the process defined in Attachment 4.19-B, (27) section 2.

2. Reimbursement during subsequent periods.

For the periods, September 1, 1998 and beyond, the operating agency will determine reimbursement rates using a cost reporting process. Reimbursement rates are determined at least annually, but may be determined more frequently if deemed necessary. Reimbursements are determined in the following manner:

(a) Inclusion of certain reported expenses. Providers must ensure that all requested costs are included in the cost report.

SUPERSEDES: TN. 93-16

STATE	TX	A
DATE RECD	8-15-96	
DATE RECD	4-1-98	
DATE RECD	1-1-97	
DATE RECD	96-15	

27. Rate Determination for Rehabilitative Services (continued).

(b) Data collection. The operating agency collects several different kinds of data. These include the number of units of rehabilitative services that clients receive and the number of direct care service minutes by staff. The cost data will include direct costs, programmatic indirect costs, and general and administrative overhead costs. These costs include salaries, benefits, and other costs. Other costs include nonsalary related costs such as building and equipment maintenance, repair, depreciation, amortization, and insurance expenses; employee travel and training expenses; utilities; plus material and supply expenses.

(1) Server time is collected by the type of service delivered. These services are specified Appendix 1 to Attachment 3.1-A, pages 31a to 31e and Appendix 1 to Attachment 3.1-B, pages 31a to 31e of the Texas Medicaid State Plan. The server time can be given by professionals and paraprofessionals. These include, but are not necessarily limited to physicians, psychologists, nurses, social workers, mental health technicians, counselors, therapists, and therapy associates. The operating agency collects the wages, salaries, benefits, and other costs to determine reimbursement.

(2) A unit of service is defined in 30 minute increments for community support services, one hour increments for day programming services, and a face to face contact for plan of care oversight.

(3) The Department will calculate rates for the following categories:

(A) Individual community support services provided by a professional (unit of service - 30 minutes)

(B) Individual community support services provided by a paraprofessional (unit of service - 30 minutes)

(C) Group community support services provided by a professional (unit of service - 30 minutes)

(D) Group community support services provided by a paraprofessional (unit of service - 30 minutes)

(E) Day programs for acute needs (adult) - (unit of service - 1 hour)

STATE - TX	A
DATE RECD - 8-15-96	
DATE APVD - 4-1-98	
DATE SER - 1-1-97	
DATE REC'D - 8-15-96	

SUPERSEDES: TM • 95-18

27. Rate Determination for Rehabilitative Services (continued).

(F) Day programs for acute needs (children) - (unit of service - 1 hour)

(G) Day programs for skills training (adult) - (unit of service - 1 hour)

(H) Day programs for skills training (children) - (unit of service - 1 hour)

(I) Day programs for skills maintenance - (unit of service - 1 hour)

(J) Plan of Care Oversight (unit of service - 1 contact)

(4) Programmatic indirect costs include salaries, benefits, and other costs of the rehabilitative services program that are indirectly related to the delivery of rehabilitative services to individuals. General and administrative overhead costs include the salaries, benefits, and other costs of operations of the provider that, while not directly part of the rehabilitative services program, constitute costs which support the operations of the rehabilitative services program.

(5) Revenues and costs will be collected and allocated to assure the separation of costs associated with rehabilitative services from revenues and costs associated with other Medicaid-reimbursed services and non-Medicaid services.

(c) Reimbursement methodology.

The operating agency determines the recommended reimbursement using the following method:

(1) Projected and adjusted costs. Reported costs for each provider are projected and adjusted prior to calculations for determining reimbursement. The operating agency uses reasonable methods for projecting costs from the historical reporting period to the prospective reimbursement period. The historical reporting period is the time period covered by the cost report. Cost projections adjust the allowed historical costs for significant changes in cost related conditions anticipated to occur between the historical cost period and the prospective reimbursement period.

SUPERSEDES: NONE - NEW PAGE

STATE	TX	A
DATE	8-15-96	
	4-1-98	
	1-1-97	
	96-15	

27. Rate Determination for Rehabilitative Services. (Continued)

Significant conditions include, but are not necessarily limited to, wage and price inflation or deflation, changes in program utilization and occupancy, modification of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements. The operating agency determines reasonable and appropriate economic adjusters, to calculate the projected expenses. The Implicit Price Deflator for Personal Consumption Expenditures (IPD-PCE), which is based on data from the U.S. Department of Commerce, is the most general measure of inflation and is applied to most salaries, materials, supplies, and services when other specific inflators are not appropriate. The three payroll tax inflators, FICA (Social Security), FUTA/SUTA (federal and state unemployment) and WCI (Workers' Compensation) are based on data obtained from the Statistical Abstract of the United States, the Texas Employment Commission and the Texas Board of Insurance, respectively.

For non-state providers, wage inflation factors are based on wage and hour survey information submitted on cost reports or special surveys or the IPD-PCE, when wage and hour survey information is unavailable. For state operated providers, the inflation factor is based on wage increases approved by the Texas Legislature. The operating agency adjusts reimbursement if new legislation, regulations, or economic factors affect costs.

(2) Cost per unit of service. For each provider, the unit cost for each type of rehabilitative service is determined by dividing the total cost of the rehabilitative service by the total units of service.

(3) Reimbursement determination. The mean provider cost per unit of service is calculated, and the statistical outliers (those providers whose unit costs exceed plus or minus (+/-) two standard deviations of the mean provider cost) are removed. After removal of the statistical outliers, the mean cost per unit of service is calculated. This mean cost per unit of service becomes the recommended reimbursement per unit of service.

SUPERSEDES: NONE - NEW PAGE

STATE	TX	A
DATE REC'D	8-15-96	
DATE	4-1-98	
DATE	1-1-97	
DATE	96-15	

27. Rate Determination for Rehabilitative Services. (Continued)

(4) Reimbursement setting authority. The operating agency establishes the reimbursement in an open meeting after consideration of financial and statistical information and public testimony. The operating agency sets reimbursements that, in its opinion, are within budgetary constraints and OMB A-87, adequate to reimburse the cost of operations for an economic and efficient provider, and justifiable given current economic conditions.

(5) Reviews of cost report disallowances. A provider may request notification of the exclusions and adjustments to reported expenses made during either desk reviews or on-site audits, according to state regulations. Providers may request an informal review and, if necessary, an administrative hearing to dispute the action taken by the operating agency under state law.

SUPERSEDES: NONE - NEW PAGE

STATE	TX	A
DATE REC'D	8-15-96	
DATE FORW.	4-1-98	
DATE FILED	1-1-97	
FILED BY	96-15	

28. Respiratory Care Services.

The single state agency or its designee reimburses each respiratory therapy provider for therapy/treatment services, including education, on a per-visit basis. Reimbursement for the visit is based on the lesser of the provider's customary charge or the maximum allowable fee or rate established by the single state agency. Reimbursement for supplies furnished by the respiratory therapy provider is the lesser of the provider's customary charges or the maximum allowable fees or rates established by the single state agency. In establishing its fees or rates, the single state agency uses charge data obtained from respiratory therapy providers. The single state agency updates its allowable fees or rates each state fiscal year by applying the implicit price deflator for personal consumption expenditures. There will be no adjustment for 1994 and thereafter.

SUPERSEDES: TN - 95-26

STATE	TX	A
DATE RECD	12-12-97	
DATE REC	12-22-97	
DATE REC	8-1-97	
NOFA 179	97-11	

29. EPSDT - Rehabilitative Chemical Dependency Treatment Facility Services

(a) Payment for covered rehabilitative chemical dependency treatment facility services provided by a participating treatment facility is limited to the lesser of the customary charge or the maximum allowable rates established by the single state agency.

(b) The single state agency adopts as its upper limits the rates established for treatment used by the Texas Commission on Alcohol and Drug Abuse (TCADA). These rates are \$16 per hour for outpatient group counseling services and \$47 per hour for outpatient individual counseling services. Prior to adoption of the upper limits by the single state agency, rates are reviewed by the single state agency to ensure the upper limits are adequate and reasonable.

STATE	<u>Texas</u>	A
DATE REC'D	<u>5-16-91</u>	
DATE APP'VD	<u>5-31-91</u>	
DATE EFF	<u>6-1-91</u>	
HCFA 179	<u>91-14</u>	

Supersedes TN 90-09

30. Reserved

SUPERSEDES: TN • 97-08

STATE <u>TX</u>	A
DATE REC'D <u>5-12-98</u>	
DATE APPV'D <u>6-1-98</u>	
DATE EFF <u>4-1-98</u>	
HCFA 179 <u>98-11</u>	

31. Federally Qualified Health Centers.

(a) The state agency reimburses each Federally Qualified Health Center (FQHC) for covered services on the basis of 100% of the center's reasonable cost.

(b) Reimbursement for covered services is on an interim rate or encounter rate basis subject to reconciliation at the end of the FQHC's cost reporting period. The state agency will adjust an FQHC's interim rate or encounter rate during the FQHC's fiscal year if the FQHC submits data that validates an adjustment of at least 10%.

(c) Except as specified in subsection (g) of this section, the state agency uses the principles described in 42 Code of Federal Regulations (CFR) Part 413 to determine each FQHC's reasonable costs. Reimbursement shall not exceed payment that would be made by applying Medicare principles in Part 413.

(d) FQHCs must submit cost reports/surveys and other data as required by the state agency to verify the FQHC's reasonable costs. The state agency prescribes the format of the cost report/survey. The FQHC must submit the cost report/survey within 90 days of the end of the FQHC's fiscal year or within 45 days of a change in ownership.

(e) The state agency conducts audits of cost reports/surveys provided by FQHCs to determine each FQHC's reasonable costs. The state agency may also conduct on-site audits.

(f) The state agency completes the cost settlement reconciliation process within six months of receipt of a properly completed cost report/survey and notifies the FQHC of the results.

(g) Unallowable costs. Unallowable costs are expenses which are incurred by an FQHC, and which are not directly or indirectly related to the provision of covered services according to applicable laws, rules, and standards. An FQHC may expend funds on unallowable cost items, but those costs must not be included in the cost report/survey, and they are not used in calculating a rate determination. Unallowable costs include:

(1) Compensation in the form of salaries, benefits, or any form of compensation given to individuals who are not directly or indirectly related to the provision of covered services.

(2) Personal expenses not directly related to the provision of covered services.

(3) Management fees or indirect costs that are not derived from the actual cost of materials, supplies, or services necessary for the delivery of covered services, unless the operational need and cost effectiveness can be demonstrated.

STATE	<i>Texas</i>
DATE REC'D	JUN 29 1990
DATE APP'VD	MAR 27 1991
DATE EFF	APR - 1 1990
HCFA 179	90-24

A

31. Federally Qualified Health Centers. (Continued)

(4) Advertising expenses other than those for advertising in the telephone directory yellow pages, for employee or contract labor recruitment, and for meeting any statutory or regulatory requirement.

(5) Business expenses not directly related to the provision of covered services. For example, expenses associated with the sale or purchase of a business or expenses associated with the sale or purchase of investments.

(6) Political contributions.

(7) Depreciation and amortization of unallowable costs, including amounts in excess of those resulting from the straight line depreciation method; capitalized lease expenses, less any maintenance expenses, in excess of the actual lease payment; and goodwill or any excess above the actual value of the physical assets at the time of purchase. Regarding the purchase of a business, the depreciable basis will be the lesser of the historical but not depreciated cost to the previous owner, or the purchase price of the assets. Any depreciation in excess of this amount is unallowable.

(8) Trade discounts and allowances of all types, including returns, allowances, and refunds, received on purchases of goods or services. These are reductions of costs to which they relate and thus, by reference, are unallowable.

(9) Donated facilities, materials, supplies, and services including the values assigned to the services of unpaid workers and volunteers whether directly or indirectly related to covered services, except as permitted in 42 CFR 413.

(10) Dues to all types of political and social organizations, and to professional associations whose functions and purpose are not reasonably related to the development and operation of patient care facilities and programs, or the rendering of patient care services.

(11) Entertainment expenses except those incurred for entertainment provided to staff of the FQHC as an employee benefit. An example of entertainment expenses is lunch during the provision of continuing medical education on-site.

(12) Board of directors fees including travel costs and provided meals for these directors.

(13) Fines and penalties for violations of regulations, statutes, and ordinances of all types.

(14) Fund raising and promotional expenses except as noted in paragraph (4) of this subsection.

(15) Interest expenses on loans pertaining to unallowable items, such as investments. Also the interest expense on that portion of interest paid which is reduced or offset by interest income.

(16) Insurance premiums pertaining to items of unallowable cost.

STATE	<i>Texas</i>	A
DATE REC'D	JUN 29 1990	
DATE APP'D	MAR 27 1991	
DATE EFF	APR - 1 1990	
HCM 179	90-24	